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TO: City Council

FROM: Rosemarie Ives, Mayor

DATE: April 19, 2005

**SUBJECT: APPROVAL OF THE ACQUISITION OF 7541 LEARY WAY NE AND
ASSUMPTION OF AN EXISTING TENANT LEASE
(PROJECT NO. 03-CI-70)**

1. RECOMMENDED ACTION

Move to approve the acquisition of 7541 Leary Way (Tax Parcel No. 112505-9073) for a purchase price of \$1,400,000, assume the existing lease of the property, and authorize the Mayor to execute the Settlement documents.

II. DEPARTMENT CONTACT PERSONS

Dave Rhodes, Director of Public Works	556-2705
Bill Campbell, Assistant Director of Public Works	556-2733
Debby Wilson, Real Property Manager	556-2715

III. DESCRIPTION

Background:

The subject property is located at the northeast corner of Leary Way NE, Bear Creek Parkway and the unimproved 162nd Avenue NE. The property, triangular in shape, is adjacent to Leary Way to the south, and two City-owned properties to the north and west. It is 31,533 square feet (.72 acres) in size, zoned CC-1, and improved with an approximate 1,530 square foot conditioned single-story wood-framed building with a patio and improved/unimproved parking. A restaurant/tavern business currently operates on the premises under a term lease.

Staff has identified this property's acquisition to be of key importance to the ability to construct the proposed extension of Bear Creek Parkway across Leary Way and to the north (Project No. 03-CI-70). The future Bear Creek Parkway extension project will provide important traffic circulation enhancements and travel alternatives within Redmond's downtown area. The future extension project may not require the entire property for the road project, but previous alignment alternative studies expressed that the property and the business would be damaged beyond the value of the property, so it would be in the City's best interest to purchase the whole property at the time a purchase is considered.

In late 2004/early 2005, Winmar Company, Inc. contacted the City and expressed their desire to sell the property, and offered the City the opportunity to make an offer before it was listed on the open real estate market. A Purchase and Sale Agreement offer was made and has been negotiated. The City staff's valuation research and the appraisal provided by Winmar support the negotiated purchase price of \$1,400,000. Personal property is included in the conveyance, but all value has been placed on the real property.

The Purchase and Sale Agreement allows for a due diligence period for environmental assessment. This assessment is currently underway. The environmentalist conducting the assessment will notify the City of any issues prior to a final report. The final report is due May 5, 2005. If it is determined there are any issues that would significantly put the City at risk or cause considerable expense, the City may terminate the Agreement.

Winmar assumed the tenant lease when it acquired the property in the 1990s. The lease is currently being extended by Winmar to continue through 2005. The City would be assuming the lease with the purchase of the property. The lease on the property is generating approximately \$45,000 of annual revenue. The landlord is responsible for maintenance and repairs of the property.

Once the Bear Creek Parkway extension alignment has been precisely established and/or constructed, any area of this parcel not needed for the extension could be combined with the remainder of the property to the north. This would result in an opportunity for the City to pursue other opportunities for the consolidated property.

IV. IMPACT

- A. Service/Delivery: This property will help facilitate the future construction of the Bear Creek Parkway extension, Project No. 03-CI-70.
- B. Fiscal: City staff negotiated a voluntary sale by Winmar Company, Inc. for a purchase price of \$1,400,000. The property was appraised by a third party and reviewed by City staff. The offer has been secured by a Purchase and Sale Agreement. Earnest money is being held in trust by an escrow company.
- C. The Transportation Capital Improvement Program will provide funding for this acquisition.

Lease revenues are estimated at \$45,000 annually, net of any expenses that are the landlord's responsibility under the lease.

V. ALTERNATIVES

Council could choose not to acquire the property. The City could be required to forfeit its earnest money. Winmar has expressed it would place the property on the open market, and it is certain that there are other interested and qualified buyers. At the time the property is needed for the Bear Creek Parkway extension, a purchase would have to be renegotiated or condemnation initiated if the City and owner could not agree on a purchase price.

VI. TIME CONSTRAINTS

The Purchase and Sale Agreement conditions the sale on receiving Redmond City Council's ratification by May 5, 2005. Closing must occur on or by May 20, 2005. If these terms are not met the Agreement will terminate and the City may lose its earnest money.

VII. LIST OF ATTACHMENTS

A. Vicinity Map

/s/ _____
Dave Rhodes, Director of Public Works

4/8/2005
Date

Approved for Council Agenda /s/ _____
Rosemarie Ives, Mayor

4/12/2005
Date



ACQUISITION OF 7541 LEARY WAY NE

